

IDAHO BARLEY NEWS BRIEF

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2012 Barley Crop Insurance Highlights

IBC works to ensure

higher price coverage

Decision Time - options available on barley

Idaho barley check-off dollars at work...IBC

helped secure a higher feed barley price guarantee for barley insurance -

Last year, we reported on efforts by the IBC, American Malting Barley Association and the USDA Risk Management Agency to change RMA's feed barley price guarantee calculation. We successfully made the case to RMA that the conversion factor that was being applied to the CBOT corn futures to derive a feed barley price guarantee needed to be adjusted higher to reflect current market values between corn and feed barley. **This permanent change in the formula resulted in a \$.45 per bushel gain in the projected feed barley price guarantee (\$5.93/bu) in 2011.**

2012 Barley Crop Insurance

At the urging of the Idaho Barley Commission, the USDA Risk Management Agency Regional Office in Spokane, WA has worked diligently the past several years to make significant improvements in barley crop insurance. Some of these achievements have included:

- ◆ Important changes to the quality specifications for the Malting Barley Endorsement.
- ◆ Creation of a Winter Barley Endorsement to insure winter planted feed and malting barley.
- ◆ Creation of a new stand-alone Specialty Type Barley insurance product that was first available in 2010 that allows Idaho's malting and food barley crops to be insured at actual market value.
- ◆ Major improvement in 2011 in how the price guarantee is determined for the underlying feed barley insurance coverage. This change resulted in a \$.45 per bushel gain in the guarantee price for 2011 spring barley insurance coverage.

**BARLEY SALES CLOSING DATE -
March 15, 2012**

Here is how **barley price guarantees** are calculated:

- ◆ The final projected price for feed barley insurance will be announced in early March and will be determined by the average daily closing price of CBOT corn Sept. 2012 futures contract traded in the period February 1 through 28 times a conversion factor of .903.
- ◆ The final harvest price for feed barley will be determined by the average daily closing price of CBOT corn Sept. 2012 futures contracted in the period of August 1 through 31 times a conversion factor of .903.
- ◆ For Revenue Policies only - if the harvest price is higher than the projected price, then your insurance guarantee is recalculated at the higher price.

The 2012 barley insurance price discovery is underway right now and can be tracked at the RMA website...www.rma.usda.gov. On the right hand side, select Quick Links... Price Discovery Reporting...Active Discovery Period...click on spring barley for Idaho.

Decision Time:

Barley Insurance Plan Choices:

1. Yield Protection (YP)

- ◆ Production Guarantee (approved APH yield x coverage level) X the projected price

2. Revenue Protection (RP)

- ◆ Production Guarantee (approved APH yield x coverage level) X the higher of the projected or harvest price. Upside and downside price protection.

3. Revenue Protection with Harvest Price Exclusion (RPHPE)

- ◆ Production Guarantee (approved APH yield x coverage level) X the projected price only. Only downside price protection.

Three Ways to Insure Malting Barley:

1. Under a yield protection policy (YP) or revenue protection policy (RP) based on a projected feed barley price.

2. Under yield protection or revenue protection with added protection provided in accordance with the Malting Barley Price and Quality Endorsement (MBPQE), utilizing either Option A or Option B. The prices used to determine the coverage are calculated in two parts. (1) the YP or RP policy will be based on the projected price formula summarized on page 1 plus (2) an additional value price election based on the option chosen (Opt A or B) and the price of the malting barley contract. All malting barley will be insured as an Enterprise Unit (no basic or optional units).
 - ◆ **Option A** – Added provisions to allow the additional value price to be determined based on a contract price contained in a malting barley contract or price agreement, and to limit the additional value price to no more than \$1.25
 - ◆ **Option B** – Need to provide malting barley contracts and sales records to show at least 75% of the contracted amount of production was produced in 1 of the last 3 years in which malting barley was planted.

3. Under a yield protection policy based upon a price contained in a production contract (specialty type).

The price is determined by the malt contract. An advantage of this is that optional units are available and not limited to the 'base' or 'feed' unit **with a basic unit structure being applied to the malt unit. Optional units will extend to the entire malt line. A disadvantage is that there are no malt quality considerations...**this is a loss in production only.

Specialty Type Barley Insurance—first introduced in 2010 based on a proposal initiated by the Idaho Barley Commission in 2006. Allows specialty types of barley, including malting and food barleys, to be insured for production loss only (not quality losses) at price guarantee established by the barley production contract.

Malting - Barley varieties approved for malting by the American Malting Barley Association for the current crop year, or any variety grown under the terms of a malting barley contract

Price limit factor = feed barley price guarantee x 1.85

Waxy hulled- Barley having a waxy appearance and an adhering palea and lemma

Price limit factor = x 1.95

Waxy hulless- Barley having a waxy appearance and a non-adhering palea and lemma

Price limit factor = x 2.3

Hulless- Barley having a non-adhering palea and lemma, not including waxy hulless barley

Price limit factor = x 1.2

All Others- includes certified seed of malting, waxy hulled, waxy hulless, and hulless barley

